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S E C R E T SECTION 01 OF 04 TEL AVIV 000092

SIPDIS

STATE FOR PM ASSISTANT SECRETARY HILLEN
STATE FOR NEA/IPA (MAHER) AND PM (RUGGIERO)
PENTAGON FOR ASSISTANT SECRETARY RODMAN AND OSD (JAMES
ANDERSON)

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TAGS: [PREL PINR PGOV PTER MASS OTRA PARM ISRAEL RELATIONS MILITARY RELATIONS GOI EXTERNAL GOI INTERNAL ISRAELI PALESTINIAN AFFAIRS](#)
SUBJECT: SCENESETTER FOR JANUARY 11, 2006 JOINT POL-MIL
GROUP (JPMG) MEETING

Classified By: DCM Gene A. Cretz. Reasons: 1.4 (b, d).

1. (C) The Joint Pol-Mil Group (JPMG) meeting will be taking place at a time when Israel's domestic political situation is in flux and recent progress on the Israeli-Palestinian conflict has stalled. PM Sharon suffered a significant brain hemorrhage on January 4, and is now in critical condition, having undergone emergency surgery. Alternate PM Ehud Olmert is running the country, but the normally dynamic political situation is in stasis as the country waits for more information about the PM's health. Anxiety in Israel is high about Iran and its nuclear weapons program, political instability in Syria and Lebanon, and the terrorist threats that emanate from those two countries, as well as from Palestinian controlled areas. Amid all of this, the U.S.-Israel relationship remains strong, based on our support for Israel since its formation in 1948, our shared cultural and political values, and our common strategic interests. Despite turbulence in the relationship over significant technology transfer scandals, which the GOI is taking some steps to redress, our cooperation in counterterrorism research areas involving the DOD has proceeded and is viewed positively by the USG and GOI.

2. (C) MOD sources say that the Israeli side's aims during the JPMG are as follows:
-- Export Controls: Present its bottom line on changes. Note changes since September to export control legislation and regulations, and to the export control system's organizational structure.
-- Defense Sales to Venezuela: Present Israel's bottom line.
-- Iraq: Exchange views.
-- Middle East and Iran: Provide Israel's assessment of security challenges in the region, and touch on Palestinian issues. The Israelis will want to exchange views on Iran and the way ahead.
-- Qualitative Edge: Exchange views. If Israel knows in advance of proposed U.S. defense sales to other Middle Eastern countries, it will want to comment on them.
-- Joint Security Assistance Planning: Present Israel's plans on how it will use FMF over the long term.

ISRAEL'S DOMESTIC POLITICAL SITUATION IN FLUX

3. (C) Since the withdrawal of Jewish settlers, and the Israeli Defense Forces (IDF) protecting them, from the Gaza Strip and four settlements in the northern West Bank in August, Israel's political situation has been in flux, with "rebels" from PM Ariel Sharon's own Likud Party -- and former PM Binyamin Netanyahu -- challenging Sharon's leadership. In November, Labor Member of the Knesset (MK) Amir Peretz successfully challenged former PM Shimon Peres for the leadership of Labor, securing for himself leadership of the second largest party in PM Sharon's coalition government. Labor subsequently withdrew from the government. In a bold response to the rebels within his own party, PM Sharon then left Likud and formed a new centrist party: Kadima ("Go Forward"), attracting to it defectors from Likud, Labor and other parties. Labor's calls for early elections led to an agreement by all parties to hold general elections at the end of March. The general election campaign is now in full swing. PM Sharon's success to date in making Kadima a viable party to challenge Labor and Likud in the March elections could take a turn for the worse if Sharon is incapacitated or dies, but polls continue to show Kadima as the highest-polling party, by far.

RECENT PROGRESS ON PALESTINIAN ISSUES HAS STALLED

4. (C) Israel's disengagement from the Gaza Strip and a portion of the northern West Bank went very smoothly and was broadly hailed as a bold and creative step. As a result of disengagement and implementation of the November 15 Agreement on Movement and Access, brokered by Secretary Rice, the Palestinians now have a significant degree of control over the Gaza Strip and control its border crossing into Egypt. Other aspects of the agreement brokered by the Secretary remain gridlocked: (a) the opening of the Rafah border crossing between Gaza and Egypt remains plagued by problems; (b) resuming convoys between Gaza and the West Bank; (c) increasing throughflow at crossing points between Israel and the occupied territories; (d) decreasing restrictions on movement within the West Bank, and (e) making progress on a seaport and airport for Gaza. Forward movement on those issues has stalled as a result of Qassam rocket launches from the Gaza Strip, other attacks perpetrated by Palestinian terrorists in the wake of the agreement, and an assessment by the IDF that the reported increasingly active PIJ presence in the West Bank must be dealt with. Any progress on these issues remains highly unlikely.

5. (C) Problems remain that could significantly affect progress on the Israel-Palestinian conflict. The PA is having difficulty asserting its authority in Gaza and the

West Bank as its ruling party, Fatah, is fractured by internal rivalries, and is being challenged by Hamas, Palestinian Islamic Jihad (PIJ), and other armed militias, including those affiliated with Fatah. Palestinian Authority (PA) President Mahmud Abbas secured an agreement from Hamas in March to stop attacks in order to allow disengagement to proceed, but Hamas and PIJ have conducted some attacks since this Tahdiya ("calm") went into effect. While the Tahdiya officially expired on December 31, Hamas appears to be holding its fire in anticipation of Palestinian Legislative Council (PLC) elections scheduled for January 25. The GOI continues to press PA President Abbas to assert his authority and dismantle the Palestinian terrorist groups as a condition for moving forward on the peace process. The PA, fearful of provoking widespread clashes, prefers to address the situation more gradually. The GOI has also called on the PA not to allow Hamas -- a terrorist group -- to run in the PLC elections, stating that it will neither hinder nor help with the elections if Hamas runs. It is unclear whether the Palestinian elections will take place in January, due to (a) lack of agreed modalities between Israel and the PA on Palestinian voting in East Jerusalem, and (b) widespread security concerns originating from armed groups associated with Fatah, in some cases representing senior Fatah members who do not believe they will be elected. Meanwhile, the IDF continues to conduct extensive unilateral operations in the West Bank, and also continues to play a security role in Gaza via airstrikes and artillery barrages intended to counter Qassam rocket launchings.

¶6. (U) U.S. policy remains firmly anchored in President Bush's historic vision -- first enunciated in June 2002 -- of two states, Israel and Palestine, living side by side in peace and security. The USG remains committed to the performance-based road map under the auspices of the Quartet (the U.S., Russia, UN and EU) as the means for achieving the President's vision. The Israeli and Palestinian sides have endorsed the road map -- both with reservations -- but need to take additional steps. Israel must continue to work with Palestinian leaders to improve the daily lives of Palestinians, while avoiding any activity that prejudices final status negotiations. As the President has noted, this means that Israel must remove unauthorized West Bank outposts and stop settlement expansion. It also means that the barrier now being built to protect Israelis from terrorist attacks must be a security barrier, rather than a political one, and take into account its impact on Palestinians who do not threaten Israel's security. On the other side, the Palestinians must stop terrorism, dismantle the terrorist infrastructure within their society, and take steps to ensure that a democratic society -- with open and transparent governance -- takes root.

¶7. (C) Another tangible sign of U.S. commitment to peace in the region is the U.S. Security Coordination (USSC) Mission, recently take over by LTG Keith Dayton. General Dayton's mission is to work Palestinian security sector reform issues, and his multinational team works to ensure coordination and communication between the PA and the GOI. General Dayton returned to the region on January 6 after having met with President Bush and Secretary Rice on the way forward for the USSC.

ISRAEL'S NEIGHBORHOOD PRESENTS CHALLENGES

¶8. (C) Israel maintains that the greatest existential threat it faces is a nuclear-armed Iran. Israel's position is that the international community should press Iran harder -- diplomatically and via the threat of sanctions -- to get it to abandon its weapons program, and there has been an intensification of the threat to Israel voiced in public by officials during the past several weeks. Israeli officials accept that the USG continues to support the EU3 process, but Israel is frustrated by what it believes is the EU3's record of concessions to Iran (e.g., uranium conversion) for little in return. Privately, GOI and IDF contacts have said that, at best, we can slow down Iran's program, but probably cannot stop it. Most Israeli officials also do not believe at this stage that anyone could successfully confront Iran militarily, noting that elements of Iran's nuclear program are dispersed throughout Iran and, in some cases, probably are hidden.

¶9. (C) Israel's northern border with Lebanon and Syria remains tense, and flared up on November 21 with attempted Hizballah incursions into Israel with the likely aim of kidnapping Israeli soldiers. IDF units positioned along the border -- operating under strict orders to show restraint in responding to Hizballah challenges -- successfully repelled the November 21 attacks, killing four Hizballah fighters. Israel returned the bodies of the fighters to the Lebanese government with the assistance of the Red Cross. On December 28, Palestinian terrorists (possibly the Popular Front for the Liberation of Palestine-General Command) fired Katyusha rockets from Lebanon into Israel, damaging several civilian homes. The border is currently calm. Since Israel's withdrawal in 2000 from southern Lebanon, the GOL has consistently resisted all international pressure to move Lebanese Armed Forces into areas along the border occupied by Hizballah. A proposal to incorporate the divided village of Ghajar completely into Israel was recently rejected but highlights the difficulty the Israelis have had without an effective Lebanese force. For the time being, UN peacekeepers assigned to the UN Interim Force in Lebanon (UNIFIL) try to maintain an uneasy calm on the Lebanese side of the Israel-Lebanon border, often times within eyeshot of Hizballah positions -- a situation that causes consternation within the GOI and IDF.

¶10. (C) As the Mehlis investigation into the assassination of former Lebanese PM Hariri gets closer to supporters of Syrian President Al-Assad, there is concern within the GOI that

Syria will lash out at Israel to deflect international attention away from the investigation. Indeed, the general consensus within the GOI is that this was the reason for the recent Hizballah attacks. GOI and IDF officials maintain that Al-Assad needs to be pressured into behaving according to international norms, but should not be pushed to the point of collapse, as this would -- in their view -- likely result in his regime's replacement by what they see as the growing Muslim Brotherhood in Syria.

¶11. (C) While the "cold peace" with respect to interaction between the two peoples persists, Egyptian and Israeli official relations have seen some improvement as a result of Egyptian-Israeli coordination over the Egypt-Gaza border during and after disengagement. Israeli defense planners maintain that Egypt remains a serious potential military threat, and note that President Mubarak could in the future be replaced by a leader less friendly to Israel. As a result, GOI officials frequently complain about U.S. military sales to Egypt.

¶12. (C) Relations between Israel and Jordan are good. Jordan has control of its border with Israel and prevents terrorist infiltration in either direction.

COOPERATION WITH THE U.S. IS EXCELLENT

¶13. (C) The U.S. enjoys a strategic partnership with Israel, and overall relations between our two countries are excellent, based on U.S. support for Israel since its formation in 1948. The relationship has suffered turbulence due to high-profile tech transfer scandals that the USG maintains helped to put U.S. and allied forces at risk. In response to our concern about these transfers, Israel signed a Statement of Understanding (SOU) in August requiring coordination on future sensitive defense sales to third countries. Since then, GOI and IDF officials have pushed to gain USG agreement with their position that the technology transfer scandals are water under the bridge. The USG position has been that Israel still has much work to do in order to restore the USG's trust in Israel's export control system -- a position consistent with the SOU. Israel could benefit from USG encouragement for the positive steps it has taken so far to make changes to its export control legislation and the organization of its system, per the SOU.

¶14. (C) Israel and the U.S. exchange information and coordinate on policy through our annual Strategic Dialogue, the Joint Political-Military Working Group (JPMG), and the Defense Policy Advisory Group (DPAG). The GOI was pleased with the last round of the Strategic Dialogue, which took place in Washington, D.C. November 28-29, after a lapse of more than two years.

¶15. (S) The fallout over the technology transfer scandals has not affected cooperation between various USG and GOI agencies on research and development in counterterrorism (CT) technologies. Practical, joint R&D and testing through the Technology Support Working Group (TSWG) continues, yielding technologies that are being fielded by U.S. forces in Iraq. The USG has noted its gratitude in the past for Israeli contributions to counter-IED technology. The Department of Energy and the Nuclear Regulatory Commission continue cooperation with their Israeli counterparts to enhance Israel's ability to prevent and mitigate the effects of radiological device attacks. Israel and the U.S. signed an MOU in December that allows the U.S. to assist Israel in setting up a radiation detection system at its main port in Haifa under the U.S. Megaports Initiative.

MFO: ISRAEL TO PRESS FOR NO CHANGES

¶16. (C) As your schedule includes a visit to Multinational Forces and Observers (MFO) North Camp and a discussion of MFO-related issues, you need to be aware that the USG decision to phase out the MFO's UH-1 helos in exchange for Blackhawks is a source of consternation within the GOI due to the additional costs it entails for Israel and Egypt. Israel views the MFO as a vital part of its strategic defense in depth, and will resist USG efforts to attempt to reduce or alter the MFO's force structure. Israel believes that the MFO's presence provides stability in the Sinai at a time when Egypt appears to face difficulty with terrorist activities there. The MFO also monitors the Egyptian Border Guard Force established in support of the Egypt-Gaza border agreement that was signed in August.

¶17. (U) This cable has been cleared with State's NEA/IPA.

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JONES